

08-24-09

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

----- In the Matter of -----)
)
PUBLIC UTILITIES COMMISSION)
)
Instituting a Proceeding to Investigate)
Implementing a Decoupling Mechanism for)
Hawaiian Electric Company, Inc., Hawaii)
Electric Light Company, Inc. and Maui Electric)
Company, Limited.)

Docket No. 2008-0274

PUBLIC UTILITIES
COMMISSION

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FILED

JOINT HAWAII RENEWABLE ENERGY ALLIANCE

AND

HAWAII SOLAR ENERGY ASSOCIATION

RESPONSE TO INFORMATION REQUESTS

FROM

THE NATIONAL REGULATORY RESEARCH INSTITUTE, INC.

AS

TRANSMITTED BY THE COMMISSION ON JULY 15, 2009

AND

CERTIFICATE OF SERVICE

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Per the Commission's letter March 15, 2009, the Hawaii Renewable Energy Alliance ("HREA") and the Hawaii Solar Energy Association ("HSEA") respectfully submit their joint response to Post-Hearing Information Requests ("PHIRs") from the National Regulatory Research Institute, Inc. ("NRRI").

NRRI-PHIR-7. Please discuss (sic) the success and failures of decoupling in other jurisdictions (e.g., Maine).

HREA-HSEA Response. HREA and HSEA defer to Haiku Design & Analysis ("Haiku")¹ on an overall discussion of the success and failures of decoupling in other jurisdictions, including Maine. We would like to comment on the status of decoupling in Idaho. During the initial phase of the instant docket, HREA discovered that Idaho Power Corporation ("IPC") had implemented decoupling, and that there were some similarities between IPC and HECO, including:

- Both are privately-owned, investor utilities;
- Both have a mix of renewables and fossil fuel facilities;
- IPC's generation is 3,000 MW and residential customers number 391,000;
- Both were seeking to reduce (i) regulatory lag and, (ii) utility disincentives to encourage energy efficiency and conservation; and

¹ Reference Haiku's filing by U. S. Mail and email to the Commission and the CA on August 22, 2009.

- IPC's decoupling from sales mechanism includes recoupling to customers which is under consideration in the instant docket.

IPC's decoupling mechanism is referred to as the Fixed Charge Adjustment ("FCA") and has been in place for two years of its approved three year pilot program. The FCA applies only to residential and small commercial customers. For details of the FCA implementation, see: <http://www.puc.idaho.gov/internet/cases/elec/IPC/IPCE0906/staff/20090508COMMENTS.PDF> a status report from the Idaho Public Utility Commission ("IPUC"). We observe the following from IPC's decoupling experience that should be taken into consideration in the instant docket²:

- A pilot program makes sense, but only if implemented for at least three years, and perhaps not for all customer classes initially;
- IPC's revenue adjustment is weather-normalized, i.e., the FCA includes the impacts due to normal seasonal weather patterns;
- Any revenue adjustment should be capped on an annual basis, for example at 3%, as is the case for IPC's FCA and the adjustments should be symmetrical. That is, if the utility over collects for one customer class, then that class would receive a rebate, if under collected, a surcharge. HREA and HSEA note that caps work for both the ratepayer and the utility, i.e., less risk is passed on to the ratepayer in periods when revenues decline, and the utility is exposed to less risk during periods when revenues increase;
- Since the implementation of the FCA in 2007, IPC filed rate cases in both 2007 and 2008, in part due to new construction requirements. Thus, HREA and HSEA question whether decoupling is really reducing regulatory lag in Idaho, as opposed to assisting IPC in their cash-flow management;
- There is substantial transparency benefit associated with a simpler system like Idaho's that is especially important to aide public understanding in the context of

the number of rate increases that ratepayers are being asked to bear and the Commission is being asked to approve in open dockets.

- IPC's bond rating is BBB, and we are not sure what to conclude about that at this moment.

NRRI-PHIR-8. Please discuss the pros and cons of implementing the revenue enhancements discussed at each 3a, b, c, and d of the Commission's post-hearing IRs.

HREA-HSEA Response. HREA and HSEA defer to Haiku's response to this PHIR, referred to as PUC-IR-57 [July 15, 2009 IR #8.] in Haiku's August 22, 2009 filing.

NRRI-PHIR-9. Should the RAM concepts described at 3a and b be based on gross or net plant additions?

HREA-HSEA Response. HREA and HSEA defer to Haiku's response to this PHIR, referred to as PUC-IR-58 [July 15, 2009 IR #9.] in Haiku's August 22, 2009 filing.

NRRI-PHIR-10. Please propose allocation methods among customer classes for each 3a, b, c and d and explain the basis for the allocation.

HREA-HSEA Response. HREA and HSEA do not have a proposal for "allocation methods among customer classes for each 3a, b, c and d."

NRRI-PHIR-11. What should the Commission consider in selecting an ROE to use in calculating revenue enhancements between rate cases associated with rate base changes. Why should the ROE used in calculating the inter-rate case revenue adjustments based on rate base changes be equal to the ROE authorized in the rate case (per the proposed RAM), as the inter-rate case ROE appears to be guaranteed and the rate case ROE is an opportunity to earn the authorized return? Please discuss and quantify.

HREA-HSEA Response. All other things being equal, HREA-HSEA would agree the utility should have the opportunity to earn its authorized ROE, as approved by the Commission in the most recent rate case or as amended. However, with the proposed decoupling mechanism and RAM, things are not equal. Specifically, given that the financial risk to the utility would be been reduced, the ROE should be lower. We suggest there at least one other factor the Commission should consider in selecting the ROE between rate cases. Specifically, since

² Personal Communication with IPUC staff (August 21, 2009)

one of the major purposes of decoupling is to reduce utility disincentives to encourage energy efficiency and renewables, we believe progress in energy efficiency and renewables could be incentivized by adjustments to ROE, up or down depending on an appropriate set of performance metrics. We will discuss this concept further in our Opening Brief (s).

NRRI-PHIR-12. Please discuss the pros and cons of the Commission approving a RAM that consists of 3a, b and c with and without an RPC compared to the RAM proposed by HECO.

HREA-HSEA Response. HREA and HSEA defer to Haiku's response to this PHIR, referred to as PUC-IR-61 [July 15, 2009 IR #12.] in Haiku's August 22, 2009 filing.

NRRI-PHIR-13. Please discuss the pros and cons of an ECAC in which (a) the utility bears the risk for heat rate changes within a performance band (e.g., plus/minus 50 Btu from the target) while (b) all changes in costs associated with heat rate changes outside the performance band are passed through to customers.

HREA-HSEA Response. HREA and HSEA defer to Haiku's response to this PHIR, referred to as PUC-IR-62 [July 15, 2009 IR #13.] in Haiku's August 22, 2009 filing.

NRRI-PHIR-14. Please discuss the pros and cons of an ECAC that remained the same as the current ECAC but removed the Btus used for spinning reserve from the heat rate calculation

HREA-HSEA Response. HREA and HSEA defer to Haiku's response to this PHIR, referred to as PUC-IR-63 [July 15, 2009 IR #14.] in Haiku's August 22, 2009 filing.

DATED: August 24, 2009, Honolulu, Hawaii


President, HREA


President, HSEA

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing IR responses upon the following parties by hand-delivery and electronic service as follows:

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